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Contacts Branch
 Attention: [REDACTED]
 General Counsel

8 December 1948

ECA Policy on Refusal of Export Licenses.

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1. We refer to the message from [REDACTED] to Mr. [REDACTED] (SF Forty Nine), inquiring if there is any legislation on ECA policy concerning equipment manufactured by a United States firm under contract with the USSR for which export licenses cannot now be obtained.

2. The following information has been received from the Office of the General Counsel in ECA. The governing legislation is contained in the Foreign Aid Appropriation Act (P.L. 793, 80th Congress) approved June 28, 1948. Section 204 reads as follows:

"Whenever an export license for a commodity, the production or shipment of which to a nonparticipating country was contracted for in good faith prior to March 1, 1948, is denied or cannot be obtained under section 6 of the Act of July 2, 1940 (54 Stat. 714), as amended, the Administrator shall provide for the procurement of such commodity to transfer to a participating country in accordance with the requirements of such country, at not less than the contract price of such commodity to the producer or exporter, as the case may be, including any cost incurred in converting the commodity to meet the requirements of the participating country."

Thus, if the manufacturer in question entered into his contract with the USSR in good faith prior to March 1, and has been denied an export license by the Department of Commerce, he may come within the provisions of this section. Normally Commerce informs the manufacturer of the proceeding to be followed at the time when the license is denied and actual proof of such denial must be possessed by the manufacturer. He then should address the Industry Division of ECA in Washington (and it is further suggested that he address such a letter to the attention of [REDACTED]). His letter of application need not be in any special form, but should include the specifications of the product, proof of denial of an export license, and the price of the goods. Also, of course, he must state that the contract was entered into before 1 March in good faith.

25X1A

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- 2 -

ECA will then circulate specifications to the countries participating in the foreign aid program, and if a requirement for the product is noted, ECA will then start its normal procedure and the manufacturer will be notified.

3. We are informed that the machinery for this process is not as cumbersome as it sounds, and does not take excessive time. Of course, if no requirements are received from the participating countries the manufacturer must look elsewhere for the disposal of his product.

LAWRENCE R. HOUSTON

LRH:blc

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